

## Message Text

UNCLASSIFIED

PAGE 01 TAIPEI 00506 270936Z  
ACTION H-02

INFO OCT-01 EA-09 ISO-00 AID-05 TRSE-00 EB-08 /025 W  
-----271205Z 064220 /11

R 270846Z JAN 77  
FM AMEMBASSY TAIPEI  
TO SECSTATE WASHDC 2401

UNCLAS TAIPEI 0506

E.O. 11652: N/A  
TAGS: EFIN, EAID, OREP  
SUBJECT: SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT  
ASSISTANCE

REF : STATE 4496

1. DETAILED ANALYSES OF SENATOR GRAVEL'S PAPER UNDOUBTEDLY WILL BE FORTHCOMING FROM OTHER POSTS WITH MORE EXPERTISE IN TAX AND AID POLICIES. HOWEVER, WE BELIEVE THE PROPOSAL TO TAX US MULTINATIONAL CORPORATIONS (MNC'S) TO RAISE ADDITIONAL REVENUE FOR DEVELOPMENT ASSISTANCE HAS IMPORTANT IMPLICATIONS, AND WE WELCOME THE OPPORTUNITY TO CONVEY SOME VERY GENERAL COMMENTS.

2. ESSENTIALLY THE PROPOSAL SEEKS TO ACHIEVE A POLICY GOAL OF RAISING THE LEVEL OF US FOREIGN AID TO 0.7 PERCENT OF GNP. WHETHER THIS IS AN APPROPRIATE OR "FAIR" SHARE OF FOREIGN ASSISTANCE FOR THE US TO PROVIDE IS A DEBATABLE POINT IN ITSELF, BUT APART FROM THAT, IT WOULD SEEM TO BE UNDESIRABLE IN PRINCIPLE FOR THE US TO STATUTORILY LOCK ITSELF INTO ANY FIXED ANNUAL AID COMMITMENT. SIMILARLY, EVEN IF A SPECIFIC PREDETERMINED FUTURE AID LEVEL WERE TO BE DECIDED, WE QUESTION WHEHTER ANY PART OF IT OUGHT TO BE FUNDED BY A SPECIAL TAX ON A PARTICULAR CLASS OF TAXPAYERS (IN THIS CASE THE MNC'S).

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3. ACTUALLY, AS IT IS DESCRIBED IN SENATOR GRAVEL'S PAPER, IT APPEARS THAT THE TAX ON MNC'S WOULD BE NON-REVENUE PRODUCING SINCE IT COULD BE WHOLLY OFFSET BY SIMULTANEOUS CREDITS TO ENTERPRISES WHICH COMPLY WITH A CODE OF GOOD CONDUCT IN RELATIONS WITH THEIR HOST COUNTRIES. THUS WHILE THE PROPOSAL WOULD COMMIT THE US TO PROVIDE SUBSTANTIALLY MORE DEVELOPMENT AID THAN CONGRESS HAS VOTED IN

RECENT YEARS, IT IS NOT CLEAR IT WOULD IN FACT PRODUCE  
ADDITIONAL REVENUES TO MAKE UP THE DIFFERENCE.

4. THESE COMMENTS ARE NOT MEANT TO DENIGRATE SENATOR  
GRAVEL'S PAPER. ON THE CONTRARY, THE PAPER IS USEFUL IN  
POINTING UP THE DEVELOPMENT NEEDS OF THE LDC'S AND THE  
PROBLEM OF MNC AND HOST COUNTRY CONDUCT TOWARDS EACH  
OTHER. THESE ARE IMPORTANT ISSUES WHICH, IN OUR VIEW,  
DESERVE CONTINUING ATTENTION.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PAPERS, TAX LAW, DEVELOPMENT PROGRAMS  
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**Copy:** SINGLE  
**Sent Date:** 27-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Subject:** SENATOR GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT ASSISTANCE  
**TAGS:** EFIN, EAID, OREP, (GRAVEL, MIKE)  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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